

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 L-03 SP-02 USIA-06 AID-05 NSC-05

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DRAFTED BY EB/ORF/ICD:WAWEINGARTEN:KAM

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ARA/CEN:MPLATT

ARA/ECP:SROGERS

E:CFRANK

S/S MR. BRIDGES

----- 130185

R 022105Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA

LIMITED OFFICIAL USE STATE 165307

E.O. 11652: N/A

TAGS: ECON, EFIN, ETRD, UNCTAD

SUBJECT: US PAPER ON INTERNATIONAL RESOURCES BANK

REFERENCE: A. STATE 142614: B. GUATEMALA 4561

1. SPANISH TRANSLATION OF IRB PAPER HAS BEEN PREPARED BY
OECD SECRETARIAT. FOLLOWING REVIEW OF TRANSLATED TEXT BY
DEPARTMENT, WE PLAN TO CABLE SPANISH VERSION TO ALL ARA
POSTS.

2. FOURTH SENTENCE OF PARAGRAPH 10 REF A SHOULD READ AS
FOLLOWS: QUOTE DISPUTE SETTLEMENT PROVISIONS BACKING UP THE
TRILATERAL CONTRACTS, PRESUMABLY CONTAINING PROCEDURES FOR
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CONCILIATION OR ADJUDICATION OF DISPUTES ARISING UNDER THE

CONTRACTS, WOULD ALSO BE INCLUDED. END QUOTE.

3. OUR ANSWER TO QUESTION YOU POSE IN REF B CONCERNING IRB ROLE IF HOST COUNTRY GOVERNMENT IS NOT A PARTNER IN A PROPOSED PROJECT IS THAT THERE IS STILL SCOPE FOR ACTIVE IRB PARTICIPATION IN STRAIGHT COMMERCIAL TRANSACTION BETWEEN PRIVATE FOREIGN INVESTORS AND PRIVATE SECTOR IN DEVELOPING COUNTRY. THE KEY CONSIDERATION IN THIS CASE IS AVAILABILITY OF PROJECT FINANCING. IF A PROJECT WERE STYMIED FOR LACK OF FINANCING, IRB COULD BE REQUESTED TO PARTICIPATE IN FINANCING BY GUARANTEEING SOME OF THE FINANCIAL OBLIGATIONS ISSUED BY THE PROJECT. THE IRB WOULD ACT AS A GUARANTOR AGAINST DEFAULT FOR NON-COMMERCIAL REASONS; E.G., ACTIONS TAKEN BY THE HOST GOVERNMENT. TO MINIMIZE ITS POTENTIAL EXPOSURE IN CASE OF DEFAULT FOR NON-COMMERCIAL REASONS, THE IRB WOULD SEEK SOME FORM OF COMMITMENT FROM THE HOST COUNTRY GOVERNMENT.

4. AS A GENERAL CRITERION WE WOULD ENVISAGE IRB PARTICIPATION IN FOREIGN RESOURCE PROJECTS IN DEVELOPING COUNTRIES WHERE SUCH PARTICIPATION IS JUDGED DESIRABLE BY THE PARTIES INVOLVED.

5. IN PRACTICE WE WOULD EXPECT THE IRB'S PRINCIPAL ROLE TO BE IN REDUCING CONSTRAINTS ON CAPITAL AVAILABILITY ARISING FROM VARIOUS TYPES OF NON-COMMERCIAL RISK. KISSINGER

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